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GROWTH IN FREMONT

WHO NEEDS IT?

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GROWTH

Cities and towns -- Growth -- California -- Fremont

AN ANALYSIS OF THE EFFECT OF SEVERE GROWTH CURTAILMENT POLICIES UPON THE CITY OF FREMONT

Prepared by

The Fremont Capital Improvement Committee
Concerned with Environmental Equality

FREMONT CHAMBER OF COMMERCE
39737 Paseo Padre Parkway
Fremont, California 94538
July, 1973

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FREMONT
CHAMBER OF COMMERCE

39737 Paseo Padre Parkway, Fremont, California 94538
Phone (415) 657-1355

July, 1973

Citizens of Fremont
Fremont, California

Dear Fellow Citizens:

The genuine concern over growth by the majority of citizens is a very real and sensitive subject. Part of the concern is the general questioning of values: Is bigger better? Another anxiety is that people want to protect what they have...the good suburban life.

Along with these basic concerns, environmental and public facility problems are indeed real.

During the past year the Chamber has become increasing aware that if we are to achieve a better *total* environment for all citizens, economic as well as environmental factors must be considered.

The Fremont Capital Improvement Committee Concerned with Environmental Equality addressed itself to this issue in the following report. Its analysis of the economic impact of a severe growth limitation for the City of Fremont is revealing and well worth the serious attention of all citizens, as well as public officials.

I wish to personally thank the many community leaders who gave freely of their time, making this report possible.

Sincerely,

Frank F. Haggerty

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INTRODUCTION

In September, 1972, the Fremont Chamber of Commerce organized a committee to assess growth considerations in the Fremont Area. The purpose of the committee project was to assess the economic impact of a growth limitation policy for the city. This report is part of that continuing effort.

Input from various community sectors was analyzed in an attempt to broaden the understanding of the many facets involved, including public services, taxes, employment, education, housing, business and industry. Specific areas of interest were chosen because of their significant impact on the entire community. This report is a cumulation of information from these areas presented individually for consideration.

SUMMARY

The long-term cumulative effects of the inevitably increasing national population and the mobility of people seeking to upgrade their surroundings have contributed substantially to the problems of American cities. In the absence of a "National Urbanization Policy," the local response has concentrated in efforts to control population growth.

Many of the recommended programs proposed by limited growth theorists are classic examples of direct, frontal attacks on symptoms. Real causes and potential side effects receive scant attention.

Most of the justification for limiting growth is based on "the quality of life." However, the quality of life goals are seldom defined - in large part indefinable. The quality of Life *For Whom*?

The following reports from specific areas of interest give an insight as to the ramifications of a limited growth policy.

I. HOUSING

This report is a brief description of the anticipated housing needs for the City of Fremont for the time period of 1973-1980. The basic data developed in this report was based on the City of Fremont's Planning Department projected population growth figures for 1975 and 1980, plus assumed single family and multi-family household size and a demand factor of 60% single family units and a 40% multi-family unit ratio of future new construction.

Demographic Data Considerations:

According to the 1970 U.S. Census data, the City of Fremont had a 1960 population of 43,790 and a 1970 population of 100,869. This same U.S. Census data shows there were 23,944 families and 19,988 owner occupied housing units and 6,656 renter occupied housing units in Fremont in 1970. Total year-round units, however, totaled some 27,303.

The owner occupied units had an average of 3.9 persons per dwelling unit, while the renter occupied units had a much smaller figure of some 2.5 persons per dwelling unit.

Table 1 depicts the details of the 1970 population characteristics:

TABLE I-1
General Population Characteristics - Fremont

		Male	Female
Total Population	100,869	50,179	50,690
21 Years and Under	53,166	26,056	27,110
20 - 24 years	6,306	2,835	3,471
25 - 29 years	7,449	3,452	3,997
30 - 34 years	7,709	3,679	4,030
35 - 39 years	7,674	3,871	3,803
40 - 44 years	7,024	3,589	3,435
45 - 49 years	6,182	3,254	2,928
50 - 54 years	4,118	2,222	1,896
55 - 59 years	2,637	1,403	1,234
60 - 64 years	1,788	876	912
62 Years and Over	4,508	1,905	2,603
Median Age	23.2 Years	22.7 Years	23.5 Years
Under 18 Years	43,363	22,046	21,317

Source: U.S. Bureau of the Census, 1970

Income composition is an important and related demographic element which influences future Fremont housing needs and sheds considerable light on the present housing condition.

The 1970 U.S. Census indicates that the 1969 median family income in Fremont was $12,677.00 with a mean family income of $13,426.00 for a mean income per family member of $3,365.00.

Table I-2 gives a detailed breakdown of Fremont family incomes in 1969. The total number of families involved was 23,944:

TABLE I-2
1969 Income of Families - Fremont

Income ($)	Families
1-4,999	1,701
5-7,999	1,977
8-9,999	3,038
10-11,999	4,042
12-14,999	5,376
15-24,999	6,707
25-49,999	978
50,000 & Over	125

Source: U.S. Bureau of the Census, 1970

In relationship, in 1970 Fremont's median single family housing unit price was $24,500, with a multi-family contract rent in renter occupied housing units of $155 per month.

Mobility within Fremont is expressed by information concerning residency duration. Of the 99,682 persons surveyed, the following figures indicate the year people moved into their present house:

TABLE I-3
Residency Duration - Fremont

	Persons
1969 - 1970	23,010
1965 - 1968	37,449
1960 - 1964	25,929

Source: U.S. Bureau of the Census, 1970

Summary Data Analysis:

The City of Fremont is not a typical suburban metropolitan city. The average family size is large (single family 3.9 per dwelling unit, multi-family 2.5 per dwelling unit), but indications are that they are decreasing in size and will be near a 3.5 and 2.3 persons per dwelling unit, respectively, by 1980. Median family income is higher than other adjoining cities ($12,677), the population is very young with a median age of 23.2 years with over 40% of the toal under 18 years old in 1970. The median single family house price is $24,500 with

the vacant "for sale" median single family house price of $27,800. The housing costs are increasing at an average estimate of 7 - 9% per year with the possibility of this figure being pushed even higher by 1980.

Summary and Conclusion:

The housing needs in the City of Fremont between 1973 and 1980 will be greater than they were in the previous 10 years.

Table I-4 indicates the total number of housing units constructed in Fremont from 1966 through 1972:

TABLE I-4
Residential Building Activity - Fremont

Year	Singles	Multiples	Total
1966	483	53	536
1967	786	153	939
1968	552	749	1,301
1969	814	1,301	2,115
1970	1,117	1,074	2,191
1971	1,772	1,698	3,470
1972	1,039	1,691	2,730

Source: Building Department, City of Fremont

It is easily seen that the total units constructed have been increasing steadily since 1968, with apartment units increasing in number to 50% of the total, reflecting the national and local trend in increasing demand for smaller housing types.

In an effort to estimate the future housing needs in Fremont on a conservative basis, it was decided to utilize the revised City of Fremont population projections for 1975 and 1980 as prepared by the City Planning Department as a base element for projection purposes. Table I-5 gives the results of the projected housing needs for the City of Fremont for the years 1973 through 1980 based on these figures:

TABLE I-5
Estimated Future Housing Needs - Fremont

Year	Population	Single Family Units	Multi-Family Units	Total
1970	100,869	19,988	6,656	27,303
1972	122,708	22,794	10,045	32,839
1975	138,000	28,194	13,645	41,839
1980	171,000	37,194	19,645	56,839

Source: Fremont Planning Department

In summary, these figures reflect a future yearly housing need of approximately 3,000 units. The methodology and assumptions utilized to reach this conclusion is based on the following:

- Assumed population growth for 1975 is 138,000 persons;
- Assuming housing unit ratio for single family and multi-family units of 60% single family and 40% multi-family;
- Assumed average household size for single family units of 3.7 per dwelling unit in 1975 for single family units and a figure of 2.4 per dwelling unit for multi-family units in 1975.

Calculations for the period 1976 - 1980 were altered downward for household size to 3.5 per dwelling unit for single family units and 2.3 per dwelling unit for multi-family units as shown in Table I-6:

TABLE I-6
Mathematical Calculations

Period 1973 - 1975

Single Family Units		Multi-Family Units	
3,000	Housing Units per Year	3,000	Housing Units per Year
60%	single family	40%	multi-family
1,800	Housing Units per Year	1,200	Housing Units per Year
3	Years	3	Years
5,400	single family units for 3 years	3,600	multi-family units for 3 years
22,794	Existing Single Family Housing Unit Base	10,045	Existing Multi-family Housing Units Base
5,400	New Single Family Housing Units	13,645	New Multi-Family Housing Units
28,194	Total Housing Units 1975	2.4	Total Housing Units 1975
3.7	Persons per Dwelling Unit	32,748	Persons per Dwelling Unit
104,317	Persons Total 1975	32,748	Persons Total 1975

Estimated 1975 Population 137,065

Period 1976 - 1980

3,000	Housing Units/Year	3,000	Housing Units/Year
60%	single family	40%	multi-family
1,800	Housing Units/Year	1,200	Housing Units/Year
5	Years	5	Years
9,000	single family units for five years	6,000	multi-family units for 5 years
28,194	total single family 1975	13,645	total multi-family 1975
37,194	total single family 1980	19,645	total multi-family 1980
3.5	Persons per dwelling unit	2.3	Persons per dwelling unit
130,179	Persons Total 1980	45,183	Persons total 1980

Estimated 1980 Population 175,362

Based on these calculations and this

methodology, Fremont has only met the yearly total housing needs once since 1966, with construction of some 3,470 housing units in 1971.

In the future it appears if Fremont is going to achieve the estimated 170,000 to 175,000 population, then it will be necessary to construct approximately 3,000 housing units per year (between 1973-1980) in order to adequately accommodate this population.

In support of the previous population projection, another method in evaluation of Fremont's housing needs is an analysis of the factors which create a demand for housing. The City's Interim Housing Element defines the housing goal of the city "as to provide a choice of housing types to meet the desires of the people who live and work in Fremont."

Significant demand is created by the desire of residents to upgrade their houseing—i.e., to buy homes instead of renting, to buy larger and more expensive homes, etc. Escalation in housing standards, however, does not, in the long run, add to the numerical total of housing units required. Instead, as residents "escalate," their former residences become available to supply the needs of those with "new" housing requirements.

Young adults reaching maturity constitute a major demand for "new" housing. With nearly 2,000 high school seniors leaving school this year, Fremont could expect to need an estimated 1,000 housing units to fill their requirements. See Table I-7 for succeeding years.

TABLE I-7
Fremont United School District Enrollment

December - 1972

Grade	Enrollment
7	2,639
8	2,670
9	2,613
10	2,569
11	2,394
12	1,937

Source: Fremont Unified School District

To house those people who work in Fremont will create further housing demand. Fremont has long sought industrial-commercial development because such development has, among other benefits, a favorable effect on city revenues. 6,300 acres are shown on the general plan for industry—most of it undeveloped. Significant acreages of commercially designated land are, also, undeveloped. Industry and commerce mean more jobs, and more jobs means an increase in the demand for "new" housing.

To get a "handle on" the magnitude of this demand stemming from new jobs is difficult because much basic data is not available. One approach might be that used by the consulting firm of Livingston and Blaney in their study of the Palo Alto foothills. They used a factor of 10 industrial jobs per acre of industrially developed land and a multiplier of two other jobs (in commerce, government, etc.) for each industrial job. Planners, then, seem to be telling us that we can expect 30 jobs to be generated for each acre of industrial site developed.

It is estimated that in 1972 Fremont had approximately 1,000 acres of industrially developed land. In 1969 there were 42,756 employed persons in Fremont 16 years and over[1], lending credence to the 30 jobs per acre generation factor. It should be noted, if these job projections are valid, then at full industrial development (6,300 acres minus 20% to obtain net usable acreage), the estimated Fremont population could be 453,000 persons.

The best estimate we can get is that Fremont industrial development is proceeding at a rate of between 70 - 100 acres a year. If we assume that each new job equates with a demand for one housing unit, industrial growth is creating a demand for between 2,100 and 3,000 units a year. Further, all indicators point to a great acceleration during the next few years in the rate of industrial growth. A corresponding increase in the demand for housing seems inescapable.

By adding these two categories—young adults and industrial growth—combined, there would be an estimated housing need of between 3,100 and 3,900 dwelling units per year for many years ahead. Some young adults would find local employment, and therefore reduce

[1]U.S. Bureau of the Census, 1970. General Social and Economic Characteristics, California 6-552.

this demand, however, no figures have been developed to quantify how many, with the prospect that future years needs will be likely to vastly exceed these annual rates.

Two types of factors may inhibit growth: policies of higher government agencies to regulate water, air and transportation resources; and changes in the policies and goals of the City.

Other factors whose effects cannot presently be even estimated may add to these requirements: Socio-economic policies of State and National governments designed to bring about redistribution of racial-ethnic-income minorities, development of projects to attract immigration of substantial numbers of retired persons, location of major educational and/or governmental installations in Fremont, etc.

The following additional housing data is for information purposes and is not intended to relate directly to our main demand study. It is, however, useful information in that these households create an additional demand for housing, the exact amount of which cannot be determined.

Association of Bay Area Governments' analysis of households needing housing in the City of Fremont (rental units only) -

Using 1970 census tapes, ABAG has developed a computer program which estimates the rental housing needs for all cities within the nine-county Bay Area. Applying certain criteria to this data as explained below gives us the total estimated number of households needing rental units in Fremont.

SPECIAL NOTE: *The following information is not in terms of rental units needed,* but is the *number of existing households needing rental housing.*

I. Units lacking one or more plumbing facilities (estimates)
   Total - 40
   Explanatory note: The plumbing facilities are hot piped water, flush toilet for this household only, bathtub or shower for this household only.

II. Units with all plumbing, but having substandard heating (estimates)
   Total - 262
   Explanatory note: Substandard heating equipment includes room heaters without flue.

III. Overcrowded units (estimates)
   Total - 16 (Households with 1.01 or more persons per room)

IV. Units overpaying (estimates)
   Total - 2,537
   Explanatory note: Households paying over 25% of their income for gross rent.

Total households needing housing - 2,840.

Note: Because of rounding of numbers there is a discrepancy in totals.

Table I-8 and Figure I-1 provide additional census information on housing and population comparison for Alameda County.

TABLE I-8
Population of Alameda County, 1970 and 1960
By Census County Division*

CENSUS COUNTY DIVISION	1970	1960	Percent Change
Alameda County	1,073,184	908,209	18.2
Alameda Division	70,968	63,855	11.1
Alameda City	70,968	63,855	11.1
Albany Division	14,674	14,804	-0.9
Albany City	14,674	14,804	-0.9
Berkeley Division	116,716	111,268	4.9
Berkeley City	116,716	111,268	4.9
Emeryville Division	2,681	2,686	-0.2
Emeryville Town	2,681	2,686	-0.2
Oakland Division	361,561	367,548	-1.6
Oakland City	361,561	367,548	-1.6
Piedmont Division	10,917	11,117	-1.8
Piedmont City	10,917	11,117	-1.8
TOTAL NORTHERN ALAMEDA COUNTY AREA	577,517	571,278	1.1
Castro Valley Division	45,759	38,203	19.8
Castro Valley (U)	44,760	37,120	20.6
Hayward Division	143,823	130,607	10.1
Hayward City	93,058	72,700	28.0
Cherryland (U)	9,969	—	—
San Lorenzo (U)	24,633	23,773	3.6
Remainder Hayward Division	16,163	—	—
San Leandro Division	85,684	83,115	3.1
Ashland (U)	14,810	—	—
San Leandro City	68,698	65,962	4.1
Remainder of San Leandro Div.	2,176	—	—
Fremont Division	128,022	53,768	138.1
Fremont City	100,869	43,790	30.3
Newark City	27,153	9,884	174.7
Union City Division	14,724	—	—
Union City	14,724	6,618	122.5
Livermore Division	40,548	20,087	101.9
Livermore City	37,703	16,058	134.8
Remainder of Livermore Div.	2,845	—	—
Pleasanton Division	37,107	9,500	290.6
Dublin (U)	13,641	—	—
Pleasanton City	18,328	4,203	336.1
Remainder Pleasanton Div.	5,138	—	—
TOTAL "SOUTH COUNTY"	495,667	336,931	47.1

*U.S. Bureau of the Census, *1970 Census of Population, PC (VI)-6, California Advance Report.* February, 1971. Represents final population counts. Census County Divisions are communities or groups of communities.

Alameda County Planning Department, February, 1971.

FIGURE I-1
Comparison Size of Population
Per Housing Unit*
Northern & Southern Alameda County

AVERAGE:

NORTHERN ALAMEDA COUNTY — 2.60 population per unit
SOUTHERN ALAMEDA COUNTY — 3.44 population per unit

Proof that Southern Alameda County is composed of young, larger families is brought out in the above graphs. Note that as the distance from the metropolitan areas increases, population per household increases. Such a market is receptive to advertising and merchandising that offers these families an opportunity to improve their way of living.

Source: 1970 U.S. Census of Population and Housing.

*Population Per Unit is a comparative indicator calculated by dividing total population by total units; figures are moderately lower than figrues based on OHU.

II. CONSTRUCTION EMPLOYMENT

- WHO WILL FILL JOBS?
  Since there will be fewer jobs to fill, the immediate effect will be a surplus of applicants, but as the more active, younger and aggressive people move to other more progressive and growth minded localities, the job openings will necessarily be filled by those who remain behind. The net long-term effect of a restricted growth policy will be a deterioration of the local labor supply.
- WHERE WILL JOBS COME FROM?
  A restrictive growth policy will inhibit the development of additional private enterprise jobs. Additional jobs will be generated only by government agencies supported by tax dollars.
- DO PEOPLE MIGRATE TO FIND JOBS?
  People do move to find jobs, especially the young and active. 20% of the American people change residences each year, many for better job opportunities.
- DO WELFARE ROLLS INCREASE?
  Unemployment always increases welfare rolls, especially long-term unemployment.

If all building was stopped in Fremont, it would take $44,200,000.00 in take home wages out of Fremont the first year.

Ninety-five percent of all construction workers have payments to make, and if they miss work for any length of time, they are in trouble.

Approximately forty percent do not have enough equity in their home to break even if the home is sold.

If there is no work within commuting distance from Fremont, workers would be forced to sell their homes or apply for aid. Where there is a heavy unemployed area, crime skyrockets. Homes cannot be maintained to keep up the resale value. Also, when there is mass unemployment, the ones who are financially able, move to other areas where there is more work. Therefore, they must transfer their union membership to the area in which they will be employed, thereby reducing the number of members in the local union in the area they are forced to leave.

The local unions, like any other business venture, have a fixed cost to operate on and any loss in membership creates a hardship.

III. SEWERAGE

- COLLECTION SYSTEM
  The Union Sanitary District presently has 469 miles of main sewers in the collection system. These main sewers are sized to serve a population of about 450,000 people, using the general land use plans of the three cities served by the District.
- TREATMENT AND DISPOSAL SYSTEM
  The District has three water pollution

control plants which comprise the treatment and disposal system:

— Plant No. 1 - Newark - serves the City of Newark (except the portion southeast of Moores Avenue) and the Centerville District of Fremont.

— Plant No. 2 - Irvington - serves the Irvington, Mission San Jose and Warm Springs District of Fremont, and the portion of Newark southeast of Moores Avenue.

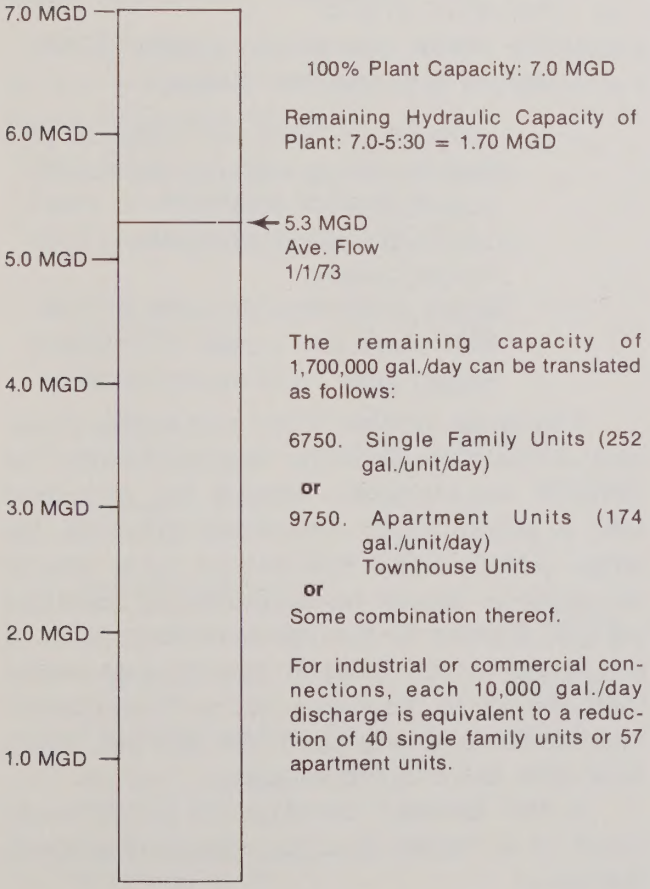
— Plant No. 3 - Alvarado - serves all of Union City and the Niles District of Fremont, and the North Plain Area of Fremont.

Figure III-1 shows the present remaining hydraulic capacity of each plant as of February 5, 1973.

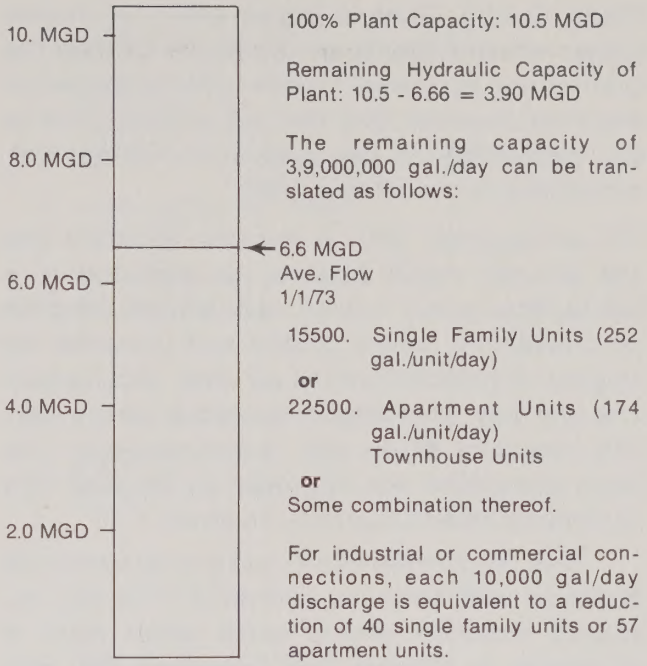
Figure III-1

REMAINING HYDRAULIC CAPACITY

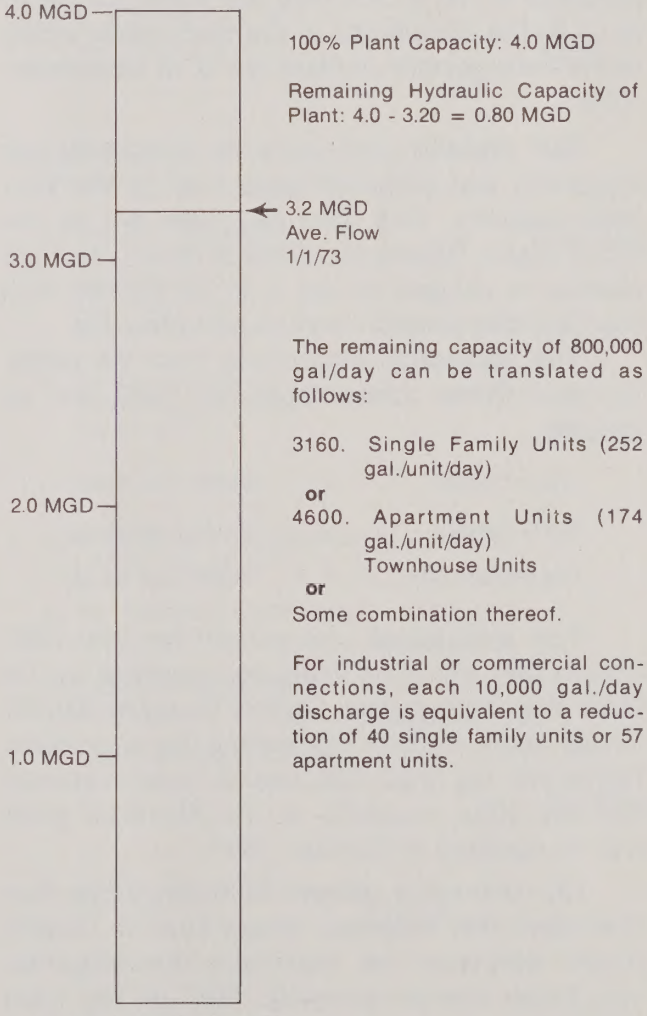
Newark Water Pollution Control Plant (I)



Irvington Water Pollution Control Plant (II)



Alvarado Water Pollution Control Plant (III)



Source: Union Sanitary District

The remaining connection capacities of the plants may be further limited if the Regional Water Quality Control Board were to impose higher effluent discharge requirements than the District has at present. There is no indication at this time, however, that this will be done prior to the completion of the proposed enlargement, scheduled for December, 1975.

In January, 1971, it became apparent that the District would have to be included in a subregional water quality management program to provide for future growth and increase the degree of treament which all other dischargers into the bay would soon be required to meet. The resulting study and recommendation has been completed and approved by the East Bay Communities and Districts involved.

The recommended plan will provide facilities with enlarged hydraulic capacity, improved treatment and a much better point of discharge in Central San Francisco Bay northwest of the Oakland Metropolitan Airport. Federal and State Aids in grants will be provided to the extent they are made available to us by the completion of the first phase, which is the enlargement of Plant No. 3, in December, 1975.

Our present plan calls for enlarging our treatment and disposal system up to the year 1980 capacity. This date has been set by the State Water Resources Control Board, and the District is obliged to use it in connection with the East Bay project construction planning.

The population projections from the cities' General Plans interpolated for 1980 are as follows:

City of Fremont:	180,000 (Low Range)
City of Newark:	41,500 (Low Range)
City of Union City:	41,500 (Low Range)

The population projection for the 1980 design that will most likely be approved by the State Water Resources Control Board is 200,000 for our entire District. Converting this population figure into the MGD flow would make it appear that the 100% capacity of the Alvarado plant will be reached in October, 1974.

Our District is obliged to report to the San Francisco Bay Regional Water Quality Control Board whenever the maximum discharge for any 7-day period exceeds 75% of the total capacity at any of our plants. This figure was reached in October, 1972 at Plant No. 1 and in November, 1972 at Plant No. 3.

- WATER QUALITY MANAGEMENT PROGRAM

  Union Sanitary District is planning to conduct a bond election in early 1974 to finance our share of the East Bay dischargers Water Quality Management Program for the cities of Fremont, Newark and Union City. This will require about 4.8 million dollars of funds by the District, which is about 12-1/2% of the total cost. Federal and State grants in aid are being applied for, to make up the 87-1/2% balance of funds necessary. Revenue Bonds rather than General Obligation bonds are contemplated. Servicing of these bonds would be met by a service charge.

- POPULATIONS

Actual East Bay dischargers report estimates:

	10-1-72	1980	1990	2000
Entire District	174,500	206,000	267,000	325,000
69% in Fremont	120,658	142,000	184,000	224,000

- PROJECT COSTS

  The entire cost of the project to the District is divided as follows:

  — Increase in hydraulic capacity to provide for growth in population and degree of treatment to meet RWQCB requirements - 1.44 million dollars
  — Share in construction cost of common trunk line outfall to Oakland Airport area - 3.36 million dollars

The larger portion of the 1.44 million dollar cost of treatment would be required to meet the RWQCB requirements, without the estimated rate of growth being considered. Likewise, the larger portion of the 3.36 million dollar cost of conveyance would be required to transport treated effluent to the recommended point of discharge in the Oakland Airport area rather than attempt to discharge at the three present locations in southerly San Francisco Bay, which have poor assimilative capacity.

A "No Growth" development policy would result in a higher cost to individual property owners.

IV. SCHOOLS

The Fremont Unified School District receives funds for operations mainly from two sources: the State of California and the local taxpayer. State general apportionments are based on the amount of the assessed valuation behind each pupil. The lower the ration, the higher the state income.

Table IV-1 illustrates the effect of no growth and reduced enrollment:

TABLE IV-1
No Growth (33,307 Students)

1973-74 Study Budget		$ 31,310,459
Less: 1973-74 State Apportionment	$16,761,624	
Other Income	2,362,045	19,123,669
		$ 12,186,790
Less: 1973-74 Income from Unsecured Roll	$ 746,780	
Prior Years' Taxes	150,000	$ 896,780
Balance to Fund		$ 11,290,010
Estimated 1973-74 Secured Roll		$296,563,613
Estimated 1973-74 Tax Rate		$3.81

The computations reflect SB 90, which changes the Funding procedure.

Source: Fremont Unified School District

The following computations are presented for the purpose of determining the maximum General Purpose Tax Rate.

Reduced Enrollment (32,660)
1973-1974 Tax Rate
(Per $100 Assessed Valuation)

A. COMPUTATION OF 1972-73 REVENUE BASE PER A.D.A.

1.	Tax Rate 1972-73	$ 5.304	
2.	Tax Rate 1971-72	$ 5.044	
3.	Secured 1972-73 Assessed Valuation	$291,311,868	
4.	Unsecured 1972-73 Assessed Valuation	$ 13,277,938	
5.	Computed Local Revenue: Secured (A 1 times A 3)		$15,451,181
	Unsecured (A 2 times A 4)		$ 669,739
6.	1972-73 State Income		$10,233,491
7.	Total Revenue (A 5 plus A 6)		$26,354,411
8.	Est. A.D.A. - Second Principal Apport. 1972-73 including adults	33,307	
9.	1972-73 Revenue Base per A.D.A. (A 7 divided by A 8)		$ 791.26

B. COMPUTATION OF 1973-74 REVENUE PER A.D.A.

1.	Appropriate unit of A.D.A. (Elem. $900.00, High School $1,165.00, Unified $980.00)	$ 980.00	
2.	Computed Factor (B 1 divided by A 9) If more than one use 1.0000 (Actual 1.2385)	1.0000	
3.	Inflation Adjustment ($65.00 times B 2)		$ 65.00
4.	1973-74 Revenue per A.D.A. (A 9 plus B 3)		$ 856.26

C. COMPUTATION OF REVENUE LIMIT

1.	Est. A.D.A. Second Principal Apport., including adults, 1973-74	32,660	
2.	Revenue Limit (C 1 times B 4)	$ 27,965,452	
3.	Total of 1973-1974 Est. Foundation Programs	$ 27,400,650	
4.	Revenue Limit - Final Computation If C 2 is equal to or greater than C 3, the revenue limit for 1973-1974 shall be C 2		$27,965,452

D. COMPUTATION OF THE REVENUE LIMIT FOR LOCAL TAX RATE DETERMINATION:

1.	Est. 1973-74 State Aid	$15,388,241
2.	Increased District Contribution for teacher's retirement	$ 180,000
3.	Revenue limit for tax determination (C4 plus D 2 minus D 1)	$12,757,211

E. DETERMINATION OF THE GENERAL PURPOSE TAX RATE FOR 1973-1974

1.	Est. Income from 1973-74 Unsecured Roll	$ 746,780	
2.	Income from prior Year's Taxes	$ 150,000	
3.	Local Tax Required from Secured Roll (D 3 less E 1 and E 2)		$11,860,431
4.	Net Est. Secured Roll 1973-1974	$296,563,613	
5.	1973-74 Maximum General Purpose Tax Rate (E 3 divided by E 4)		$ 3.9992

Therefore, even though the enrollment would drop, the tax rate could increase because of the reduction in state support. The effect on local business could conceivably be felt as the payroll decreases. More than 60 percent of the teaching staff and 90 percent non-teaching personnel live in Fremont.

Practically all of Fremont's schools were built during the time of rapid growth and the influx of large families. At one time, more than one-third of the city's population was in school. Now the building trend has shifted to apartments, the young children we had in large masses are moving up and out of the school system, and incoming families are smaller.

Parts of the city, however, are experiencing some growth, notably the North Plains area. This has created some problems for the district and the busing of students. Plans have been developed to handle the growth with the help of builders and the possibility of selling unused sites to generate funds to build schools where they are needed. The following memorandum to the Board of Education from the district staff outlines how students can be accommodated in the North Fremont area.

★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★★

Student housing in the North Fremont area should take three distinct approaches — immediate, intermediate and long-range.

Immediate Needs as Identified

The stated goal is to house North Fremont elementary students as near their homes as possible. As of this date 950 students are being transported to schools outside of the North Fremont area. A good portion of the students who reside in the North Fremont area can be housed in that section of the city through acquisition from the Singer Corporation of the Brookvale site which is located immediately behind the American High School. A school then could be constructed on that site which would house up to 600 students.

With the completion of the Ferry Lane starter unit, additional portables could be added to that site making it possible to house an additional 150 students over the now anticipated 270. Then 385 students could be adequately housed on the present Alviso site. Approximately 550 students now attend classes on that site. As noted, the pupil load at the Alviso School would be reduced with the addition of the Ferry Lane site and the 600 students to be housed on the Brookvale site would constitute a return of approximately 850 students to the North Fremont area thereby bringing near fruition the Board's concept of neighborhood schools.

The effects of the above-mentioned proposals would be the release of portables at the Oliveira School, Norris School and possibly Cabrillo School. Transportation costs will be reduced by a considerable degree.

Site Acquisition for the Brookvale School

The Singer Housing Corporation has agreed to exchange their Brookvale site for the Madruga site. The Madruga site is located in an impacted rather mature residential area. Thus it is impractical to build on that site. The Board may consider this exchange and authorize district staff to proceed with necessary actions in order to consummate the exchange. This proposal is subject to the Madruga site being rendered useable for uses other than a school site by the city. In order to facilitate district use of Brookvale site, Singer Corporation would enter into a $1.00 per year lease with the Fremont Unified School District.

Intermediate Needs

As housing is constructed in North Fremont area, the district could add starter schools with the cooperation of the subdividers who have agreed to furnish two starter schools — one school in the Granger area and the other in the future Ponderosa subdivision. This can provide housing for as many as 540 students. This 540 added to the 850 Ferry Lane and Alviso School will generate enough housing for 1390 students.

Long-Range Needs

As enrollment increases beyond the capacity of the starter schools the district can, through the money acquired by sale of assets, add classrooms and other facilities needed for complete schools before overcrowding occurs.

It is estimated that an additional 1,087 elementary students will be generated when the proposed subdivisions are completed in the North Fremont area (source Exhibit A). That sum added to the 950 students now being transported outside North Fremont totals 2037 students.

Potential Housing Capacity	
Granger School	600
Ponderosa School	600
Ferry Lane School	430
Brookvale School	600
total capacity	2230

V. COMMUNITY COLLEGE

The planning and development of Ohlone College has been based on the estimated growth of the area. The Department of Finance of the State of California provides an annual projection of the fall day enrollments of students for the next ten years. Based on the actual fall day enrollments for 1971-72 of 2,264, the Department of Finance has projected a day enrollment of 5,408 for the fall of 1980. Using the same rate of increase on the evening enrollment in 1972-73 of 1,692, by 1980 the evening enrollment would increase to 4,044. This would indicate that Ohlone would have a total enrollment of 9,452 in the fall of 1980. State support for the operation of the college is based on enrollments and the amount of assessed valuation per student. In 1971-72 the State support amounted to approximately 22% of the cost of operation. Under present laws, in a growth situation, the State support would increase to approximately 35% by 1980.

The local support for operating and capital improvements is based on the assessed valuation of the district. The cost of repayment on the bonds sold to finance the building program was based on a growing assessed valuation with a declining tax rate. If growth is restricted, most of the planning for financing facilities, instructional programs and operating the college will have to be revised. Any revision to reduce the potential assessed valuation and population would appear to increase the costs

to the individual taxpayer residing in a restricted growth area.

If the college offerings had to remain at the number now provided because of the restricted growth policy, the cost for sending students to other colleges for courses not offered at Ohlone would increase. A reduction in planned course offerings would be a disservice to all the citizens of the community.

A restricted growth policy would also prevent the college from taking advantage of the economies of size. If a larger number of students are enrolled, each class size tends to be larger and each instructor would teach more students, thus reducing the cost per student enrolled.

In summary, in a restricted growth community the individual taxpayer will pay more for a community college offering less service.

VI. HOSPITAL

The nature of hospital and medical care must be understood before it can be projected in any kind of a constructive way. Hospital care is very different than other types of services provided by special districts such as water, sewage or education. In hospital service there is a strong element of "choice" and changes in the nature of hospital service which are difficult to identify and impossible to project. For example, each patient has a choice of physician, hospital and type of hospital service he wants. Many patients prefer the Kaiser Plan or physicians and hospitals outside the Washington service area, regardless of the facilities offered. On the other hand, some patients must be transferred to other hospitals outside the area because our current resources are not adequate even though the patient might have a strong desire to use the services of Washington Hospital.

The impact of growth on the hospital's program can be explored in the following manner:

- TRADITIONAL HOSPITAL SERVICES
  When the building program at Washington Hospital was envisioned, one factor in the planning process was the projected population growth for the Washington Township Hospital District and the traditional role in the market place which Washington Hospital enjoyed. The basic data used for these projections was considered to be 290,000 people in the township by 1980. Based upon this data, we could expect that there should be generated within the township in 1980 290,000 patient days of care. (A patient day of care is one patient in a general acute hospital for one day.) As Washington Hospital has traditionally served its share of this market, a reasonable assumption would be that we would generate approximately 78,300 patient days in 1980, with a population of 290,000 people. As the average length of stay is five days, this would translate into an average daily census of 214 adult medical and surgical patients at Washington Hospital. This would be 78% of occupancy of the first growth of 274 beds. Because of disaster and emergency consideration, normal occupancy of a hospital should not exceed 80%. It might seem, therefore, that if the district did not attain the projected growth of 290,000 by 1980, that Washington Hospital would not reach its optimum operating capacity when it is completed. There are major factors, however, which would change these projections quite remarkably.

- NEW SERVICES AND FACILITIES NOT PRESENTLY AVAILABLE IN WASHINGTON TOWNSHIP HOSPITAL DISTRICT
  If the concern was only with the traditional services which Washington Hospital has provided in the past without the addition of new facilities, services and resources, a stop-growth or no-growth movement in the tri-city area could be very detrimental. The changing nature of hospital practice and medical care deem this posture unrealistic, and most certainly new hospital services for the district are being developed. For example, the Board of Directors has established as a first priority for the hospital the development of a Mental Health Center to serve the mental health needs of the township. It is anticipated that this

program will be fully operational and developed when the building is completed, which would greatly distort the utilization numbers which were one of the guides for the expansion program. While it is impossible to accurately project the amount of service the mental health program might require for the hospital, it could account for an average daily census of between 15-20 patients, or some 7,200 additional patient days per year with the existing population.

Stated another way, the addition of a mental health capacity at Washington Hospital could be substituted in the demands for services at Washington Hospital for at least 25,000 additional residents.

- INCREASING THE "SHARE OF THE MARKET"
  The basic planning upon which the building program was projected was a conservative estimate based upon Washington Hospital serving the routine hospital needs of the residents of the district. One of the factors which prevented Washington Hospital from serving more residents was the shortage of primary care physicians in the district. The Board of Directors has established as a collateral priority, the recruitment of additional primary care physicians in the township. If successful in attaining this goal, there is no reason to believe that it will not increase the "share of the market," which would supplant the need for a total population growth which was used in the original projections.

Washington Hospital is a part of the regional hospital industry, and as such, is not related totally to the area in which it is located. Extensive planning of health care resources has been of primary concern to the federal and state governments for many years in order to preclude the development of expensive and excessive facilities. Washington Hospital has been a participant in these planning endeavors at the local and state level, and has had its plans approved by these agencies. It would not have been possible under existing California law to start our expansion program without the approval of the Bay Area Comprehensive Health Planning Council, which was obtained in August, 1970. It is not believed that a slow-growth, no-growth or expanded growth posture of the City of Fremont would have a direct relationship to the future of Washington Hospital. The future growth and development of Fremont would, indeed, have an indirect and casual relationship to the effective and efficient operation of the expanded hospital, but its posture would be one of many factors which must be considered before a definitive conclusion could be reached.

The hospital is a reactive agency to the population it serves. Certainly it is not suggested that full range development be approved in order to fill up the beds in a hospital, and by the same token, stability and direction must be attained in order that costly and expensive mistakes in future construction will not be made. At the present time, Washington Hospital, with the current population, is in a reasonable position to open with 274 beds next February. Further, it has an additional planned capacity of 90 beds which will remain unfinished until a clearer position on need is determined. The developing trends and the nature of development must be followed closely in all the tri-city area which is served to provide the most comprehensive and complete hospital care possible for all of our citizens when needed.

VII. BANKING

Fremont has 17 banks strategically located within its boundaries. Seven[1] of the banks are within areas categorized as being in the advanced stages of development. The remaining ten[2] have service areas largely undeveloped,

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[1] Bank of America, Irvington
Bank of America, Centerville
Crocker Citizens, Centerville
First Western Bank, Niles
Fremont Bank, Sundale
Wells Fargo Bank, Glenmoor
United California Bank, Irvington

[2] Wells Fargo, CBD
Bank of America, CBD
Crocker Citizens, CBD
Security Pacific, CBD
First Western CBD
Fremont Bank, CBD
Wells Fargo, Warm Springs
Fremont Bank, Brookvale
Bank of America, Mission San Jose
Bank of California, CBD

with the result that their economic feasibility and stability are dependent upon such areas developing in a normal and orderly fashion.

Prior to a bank charter being granted, application for the same must be made by the responsible corporate section and supported by statistical data justifying its location. That application must be filed with the appropriate regulatory authority and set forth therein such information as will demonstrate public need for the facility. In each instance in which such an application was filed by the ten banks referred to above, the need was anticipatory in reliance upon the then existing Master Plan being implemented free of abnormal restrictions. It follows that should the area's development be impeded by unanticipated decisions designed to restrict growth, that over 60 percent of the banks would suffer unexpected and unjustified deterioration in the following respects:

— Neither deposit growth nor loan demand could be generated to support the financial community's commitment in building facilities and personnel required to develop Fremont in accordance with its existing Master Plan.

— Loans made to businesses dependent upon an orderly growth and to people whose jobs relate to Fremont's expanding community, would be seriously affected.

— Last and probably most important perhaps to Fremont, more than to the financial community, a creditability gap would have been created with respect to reliance upon the city's official position on policies relating to its expansion.

For these reasons, it is strongly recommended that it would be in the best interest of the financial community, the people those institutions service, and the city itself to continue with the development called for under the Master Plan; and that no arbitrary actions be taken which would destroy the balance in growth upon which the city's financial institutions have relied in developing the facilities and dedicated persons to service the city's financial needs.

VIII. INDUSTRIAL - COMMERCIAL

The consolidation of five communities in 1956 and their incorporation that year into the named City of Fremont was accomplished for the main purpose of protecting themselves from the encroachment of urban sprawl and threatened absorption by annexation to other nearby cities. A great deal of thought, debate and soul-searching preceded the decision by most of the affected residents. The form of government selected, the consultants hired to advise, the financial commitments made — all were indications of the people's determination to create a balanced, well planned, successful community. To that end, a general plan was devised, again with a great deal of citizen participation and debate. As a part of their plan, citizens set aside more than 6,000 acres of land for the exclusive use by industry. The wisdom of that decision is attested to by a review of Table VIII-1:

TABLE VIII-1
Property Tax Breakdown

	*Percent of dollars paid in property taxes in the State of California	#Percent of dollars paid in property taxes in the City of Fremont	#Assessed Property values in the City of Fremont
Single dwellings	34.9	54.52	151,000,000
Multi-dwellings	12.2	.96	2,700,000
Commerce-Industry	41.7	40.97	113,000,000
Institutions	11.2	3.55	1,000,000
Mineral-Water Rights	-	-	- - -
Agriculture-Vacant Land	-	-	- - -
	100.0	100.0	277,700,000

Source: *League of California Cities - 1971
#Alameda County Assessor's Office 1971-1972

It is significant that industry and commerce in Fremont are contributing the revenues at just about the state average. Most present-day citizens will find that fact most revealing since development has not reached even half its potential. The incorporated City of Fremont has within its boundary approximately 96.5 square miles of space, is planned for growth and its total area translates into 61,495 acres. Table VIII-2 presents another aid in arriving at a logical conclusion as to the effect of reaching general plan goals:

TABLE VIII-2
General Plan Breakdown of Acreage Use

Designation	Acres	% of Total
Residential	20,660	37.0
Industrial	6,310	10.0
Commercial	750	1.2
Institutional	815	1.3
Open Space	32,960	50.5
Total	61,495	100.0

Source: City of Fremont Community Development

These tables indicate that tax assessments from industry/commerce with about 11% of the land allocation and with about 5,000 acres still unused, have a potential in excess of $550,000,000. It is interesting to note that residential, with 37% of the land allocation, has a potential of about $375,000,000. That apparent disparity of "balance" is magnified by the fact that over half the city's area is planned for open space.

TABLE VIII-4
Ten Largest Wealth Producers Operating in Fremont (Jan. 1973)

Name	Number of Employees
General Motors	4300
Pullman, Inc.	525
Insured Transporters	430
Kockos Bros.	260
Emco Distributors	245
Kroehler Mfg.	200
C.T. Supply	200
Hussman-California	130
Kimber Farms	75
Mission Clay Products	75

Note: There was total of 75 manufactures and wholesalers operating in Fremont in 1969. At present the number is 230.

This data should be reviewed with care since it appears that any deterrent to implementation of the general plan could have a serious effect on tax paying capacity. (All the above figures relate to the 1971 tax year, a population of 120,000 with an ultimate of 300,000) Fremont business is on target with its share of contribution to community economy at this point in time and should improve as time goes on. The best way to enhance the situation in the future is to see to it that the growth this city was planned for takes place. The next best route to take to enchance business development is by a positive attitude on the part of government and its administrators that the general plan will be implemented and that people are wanted and welcome in Fremont.

Expanding on the above text, some special comments in regard to commercial development will be made. The local market place is provided for the convenience of, and to serve people. The investment required to accommodate that need is very large in Fremont because all improvements must be made from underground to roof. Such large investments are made with the important criterion of an expanding population in Fremont. When no growth takes place the investments made are in serious jeopardy.

To illustrate the effects of no-growth we will use examples of four land parcels within the city.

1. 29 acres vacant in the Central Business District.
   Taxes @ $2000./ acre x 29 = $72,500.
   Total taxes = $132,500.

If the land in this parcel reverted to agricultural zoning as a result of a no-growth position the estimated tax revenue loss would be $130,000.

2. 3 parcels of 52.57 acres with commercial zoning.
   Total taxes paid on last bill = $73,277.
   Reversion of zoning, estimates tax revenue loss of $66,000.

3. Consists of approximately 10 acres of commercial zoning. Total taxes paid amounts to $15,057.82. Rezoning to basic or lowest land use would produce $1,370. in taxes. Loss amount to $13,687.

4. This parcel, in the Central Business District is of 6.5 acres
   Taxes = $33,397.
   Assessment District Taxes = $16,393.
   Loss tax revenues possible due to no-growth = $48,890.

Although the City of Fremont and developers share in the expense of assessment district bond indebtedness, the ultimate burden for payment rests with the city, who guarantees the obligation. The hazard of no-growth is that land values diminish and where the obligation for improvement exceeds value it is possible that the investor could abandon the expenditure. The city might then find itself taxed with the liability of what is now in excess of $10,000,000. The above figure does not include interest nor does it include general obligation bonds. It does include obligations that involve residential development.

The important factor to consider is that commerce relies on people. At this point in time Fremont's market area is mostly local and not regional in supply. Industry, however, does consider local commerce as a very important factor in their plant siting decision. Balance is the

name of the game and *people* make it all possible.

Table VIII-3 shows the industrial growth by selected categories in the Cities of San Leandro, Hayward, Union City and Fremont.

TABLE VIII-3
Industrial Growth of
Selected Cities by Category

HAYWARD INDUSTRIAL GROWTH

	1970	1971	1972
NEW			
PROJECTS	52	43	65
INVESTMENTS	$16,757,750.	$21,105,000.	$24,900,000.
SQUARE FEET	2,184,379	1,430,840	1,206,868
–			
EXPANSIONS	45	32	37
INVESTMENTS	$ 6,184,080	$ 7,302,985.	$ 4,200,000
SQUARE FEET	974,356	516,376	1,143
—			
TOTAL INVESTMENTS	$23,638,790.	$28,407,985	$29,100,000.

UNION CITY INDUSTRIAL GROWTH

		1971	1972
NEW			
PROJECTS	6	6	5
INVESTMENTS	$ 3,611,800.	$ 2,444,932.	$ 3,078.800.
SQUARE FEET	233,400	425,492	281,150
–			
EXPANSIONS	19	4	9
INVESTMENTS	$ 2,079,103	$ 54,468.	$ 296,000.
SQUARE FEET	317,500	8,580	286,890
JOBS CREATED	620	107	10
—			
TOTAL INVESTMENTS	$ 5,690,903.	$ 2,499,400.	$ 3,374,800.

SAN LEANDRO INDUSTRIAL GROWTH

	1970	1971	1972
NEW			
PROJECTS	39	33	45
INVESTMENTS	$ 2,648,200.	$ 1,411,000.	$ 4,188,400.
SQUARE FEET	259,870	168,000	171,220
–			
EXPANSIONS	43	36	48
INVESTMENTS	$ 6,021,900.	$ 5,085.000.	$ 7,937,000.
SQUARE FEET	197,756	527,000	1,211,240
JOBS CREATED	1,268	445	1,060
—			
TOTAL INVESTMENTS	$ 5,386,120.	$ 6,496,000.	$12,125,400.

FREMONT'S INDUSTRIAL GROWTH

	1970	1971	1972
NEW			
PROJECTS	7	10	23
INVESTMENTS	$ 356,000.	$ 2,160.000.	$ 4,356,600.
SQUARE FEET	104,280	4,943,000	222,412
–			
EXPANSIONS	6	7	15
INVESTMENTS	$ 88,100.	$ 1,173,400.	$ 719,700.
SQUARE FEET	6,900	155,500	- -
JOBS CREATED	54	452	444
—			
TOTAL INVESTMENT	$ 444,100.	$ 3,333,400.	$ 5,076,300.

It is important to recognize that Fremont is only seventeen years young. The area was agrarian with little or no industry except for a cannery or two. The cause and effect of greatest change in Northern California was the end of World War II. At that time San Leandro made its move to enhance industrial development, and it was highly successful in spite of the lack of a good plan to control the growth. But it did accommodate industry. However, the growth had started even further north, during the war, at Richmond. Emeryville also geared itself as an industrial town; again without a plan. The natural flow of industrial progress then was southbound. Hayward and Union City enjoyed that influence as time went on. It appears that time and place were factors since the growth did not take place simultaneously in every community, but rather it did so progressively and again in a southerly direction from Richmond. A most important factor in that type of progress was the influence of the railroads in placing available and privately developed land up for sale to their clients and prospects. It is easier and good business to develop land for sale in blocks or parks ready for building. It is not easy and far more expensive to leap frog development into areas widely separated even though lands are in the same ownership. In spite of that Fremont does make industrial progress.

From our experience and observation it seems that the strongest influence in Fremont's growth has been the integrity of its general plan. Industries which have located here have given the Plan major consideration in their determinations. It has had a good effect in attracting basic wealth producing industries such as General Motors, Hussmann and Chicago Bridge and Iron. Although Hayward's progress is appealing, the fact remains that there are 2,500,000 square feet of vacant speculative buildings in their industrial zone, most of which might go to warehouse use if their present trend continues. That type of user is a low employment generator and does not generally produce a high cash flow. Thanks to the vision of the above-mentioned firms and that of small private developers we are establishing a good firm industrial base in Fremont that will continue to attract good quality neighbors.

Fremont's place and time appear imminent and should accelerate due to the advent of LID 16 and LID 20 and other projects supported by the city. We must do everything possible to

enhance the confidence of developers, realtors, buyers and our present industrial community by demonstrating progressive attitudes along with supporting our general plan. Further beneficial projects will be the completion of Highway 238, Scott Creek Road extension into the western portion of Crocker-Fremont Industrial Park and the completion of Durham Road between Fremont Blvd. and Osgood Road. The timeliness of those projects depend on the cooperation of many people, but if we work together, Fremont can develop even beyond its great potential.

It must be noted that the figures in Table VIII-3 are only for those reported by owners, builders and public agencies. Sometimes they do not know what the building size will finish out at. Sometimes they do not care to divulge their building investment. This is true of all cities reporting.

The new jobs created total is also affected by the fact that speculative buildings constructed will show zero. Also, there are other investments which do not include building structures; such as tanks, hoppers, conveyors, added sprinkler systems, etc.

The figures come from the Metropolitan Oakland/Alameda County New Industries Committee quarterly report. For a better understanding of growth a multiplier of 3.5 is used to arrive at an average total plant investment which includes machinery and equipment but excludes land cost; therefore, Fremont growth 1972 = $5,076,300 x 3.5 = $17,757,050 which would approximate the assessment figures for taxing purposes.

There is existing, within Fremont's ordinances, regulation and codes, very adequate controls that provide standards of quality. The most important factor to remember, however, is that the quality of life begins with a job. Industry is the source of all wealth. If we respect the wisdom of our founding fathers and recognize the usefulness of our general plan, Fremont can succeed and become one of America's best and most beautiful cities.

IX. RETAIL COMMERCIAL

Strong, vigorous retail business activity in a community brings a wealth of convenience and service to the people served. It creates considerable benefit to the city, both financially and in social benefits; such as, employment, social activity and community service by owners and managers.

While providing these and other benefits, the costs to the community in services, social ills, and environmental deterioration is very low. In fact, when reasonable controls, such as sign and building regulations that provide for high quality and attractive buildings are used, the resulting visual effect often complements the natural environment.

In order to attract and maintain these businesses, well planned development, population growth and provision for convenient locations for shoppers are essential. Fremont's general plan now provides for these in an excellent fashion, having provided for the long-term needs of both the homeowner and business interests.

PROBABLE EFFECTS OF SEVERELY RESTRICTED POPULATION GROWTH AT THIS TIME IN FREMONT:

- Retail business would become static and possibly decrease over a period of time.
- Employment would gradually decrease due to rising costs without sales growth to cover same.
- Some retail businesses would choose to relocate due to reduced business potential.
- New commercial development would stop.
- Sales tax revenue would be restricted due to lack of sales growth within the city.
- Possible deterioration of existing facilities would occur due to shrinking profits necessary for their maintenance, and because of vacancies due to lack of lease renewals.
- Market value of retail property would

decrease because of lack of profitability created by static market conditions.

- Homeowner's taxes would have to increase to meet the cost of services needed and wanted by the citizens of the community.

A leveling off in the growth of retail sales caused by a serious lessening of population growth in a city where development is now far from its previously predicted capacity, would be a very serious hindrance not only to the businesses directly involved, but to the community as a whole. Following are some further explanations of the effects this kind of policy would cause.

Decrease in Employment

Due to needs to reduce overhead, business owners would be forced to cut back to varying degrees the amount of buying they would do. In addition, and far more important, retail businesses would not be able to add new employees as business warranted. This would mean that local people would be unable to work near where they live, thereby needing to commute or relocate away from Fremont. Also, as children reach adult age, fewer jobs would be available, thereby causing decisions not to locate here and vacancies indicative of a blighted area within a relatively short period of time.

Relocation and New Businesses

Reduced growth in Fremont at this time could also cause relocation and closing of existing local stores.

In the last several years many stores have opened and major investments made based on the following:

- Projections of continuing population growth.
- The fact that Fremont has a fine general plan to assure an attractive, safe, pleasant city with sufficient services to provide an enjoyable living environment.
- Apparent clear commitment on the part of city officials to continue fostering development in accordance with the above plan.

Many of these investments have been made on a long-term basis in anticipation of significant growth in the area. If that growth were to be significantly reduced before sales volume necessary for acceptable profits were achieved, decisions would have to be made whether or not to continue. This, in addition to the fact that new business activity would obviously cease, could cause disastrous results for the city and its residents.

Effect on Sales Tax Revenues

The total city budget for 1972 was $13,309,000. Therefore, city revenues from sales taxes = 15.43% of city income.

Obviously, as the demands for services continue to increase, as well as the increases in city costs caused by inflation, the burden of taxes would have to shift to homeowners and other entities. This would seem highly unfair to already heavily burdened individual taxpayers.

Retail sales in Fremont have risen as shown in Table IX-1:

TABLE IX-1
Sales Tax Revenue - Fremont

	Sales	Taxes @ 1%
1960	$33,752,000	$ 337,520
1970	152,281,000	1,522,810
1972	205,456,000	2,054,560

Source: State Board of Equalization

Other effects would be that as the vacancy rate increased and profitability of retail property decreased, market value of commercial property would decrease creating further tax deficiences from the commercial sector.

The above deficiences in potential tax revenue would either cause difficulty in providing convenient and desirable services to current residents or necessitate considerable increases in individual taxes on homeowners.

X. PACIFIC GAS AND ELECTRIC

The following breakdown shows the approximate average plant invested per year in the area for gas and electric customers. This report excludes all invested plant in transmission and generation facilities:

1970	Plant invested	$3,348,275.00
1971	Plant invested	5,658,500.00
1972	Plant invested	4,408,325.00

It is anticipated that the total plant investments for the next three years could be as

follows, using the often discussed 1.7% average growth:

1973	Plant invested	$2,381,500.00
1974	Plant invested	738,475.00
1975	Plant invested	812,322.00

The estimated growth previously developed for plant investment for the next three years is as follows:

1973	Plant invested	$3,229,750.00
1974	Plant invested	3,522,750.00
1975	Plant invested	3,779,825.00

The above information presented contains estimates, forecasts and opinions of anticipated residential growth in the area using the common growth average of 1.7% only.

If a substantial decrease in growth would occur, it would curtail capital outlay in all areas, namely, employment, material, supplies, and services.

PG&E is planning ahead to meet the demands efficiently, reliably, economically and with concern for both the consumer and the environment. The system has been designed to and is operated in this manner.

XI. PACIFIC TELEPHONE AND TELEGRAPH

Since growth has been part and parcel of the Fremont story to date, forecasts of growth indicate that it would be at least one year before there would be any effect on investment since construction permits already pending would take at least that long to complete.

Some obvious conclusions and some speculative opinions can be drawn, however. Following is a projection of the effect a slow-growth movement would have on the capital investment that The Pacific Telephone Company makes in Fremont. It is based on a 50% drop in telephone growth over a five-year period. The first year shows no drop since there are enough existing permits to last for a one-year period:

1973	1974	1975	1976	1977
Same	-$550,000	-$800,000	-$775,000	-$725,000

Thus there would be $2,850,000 less invested in capital improvements over the next five years if growth were cut in half. This does not include the salary effects due to the drop in number of employees needed to install and maintain the telephones. Nor does it include the lower amount of ad valorum taxes that would be paid due to the smaller investment. If theoretically there were to be no growth at all, the above figures could be mutliplied by 2.

As stated in the above, capital investment could drop anywhere from $2.85 million to $5.7 million over the next five years. There would be that much less added construction. Naturally, the ad valorum tax base would level to where it is, although one could speculate that taxes would rise due to a higher tax rate on a constant base to complete necessary city projects involving health, safety and welfare.

There is no way to project specifically what payroll costs would be, but since Fremont has been growing at a constant rate of 7.5% per year in telephones, naturally no employees would be added, and either through attrition or transfer, the staff would ultimately be reduced by probably 10% since it takes fewer employees to maintain a stable system. This is the reverse of adding about 5% to the payroll each year in a growth period. Also, there would be no need for overtime. This means spendable income for employees would be reduced. An educated guess would be a loss to local merchants of about $300,000 to $400,000 per year.

There are more subtle effects. Naturally, the company in allocating scarce construction dollars, would tend to put them into growing communities and defer improvements from the stable ones. There is no way to estimate this loss to the community.

There would be a short term increase in net revenues because of higher earnings on a constant plant investment, but the potential future earnings would be lower due to lack of increased investment and as a company who bases decisions on long-term growth this would be a large factor in decision making.

Pacific Telephone will always strive to maintain the best service at reasonable costs in any community, but as a prudent business, it must look realistically at opportunity costs and invest stockholders' money where it will produce the best long-term earnings. In a growing state, it is obvious where that would be.

XII. BAY AREA RAPID TRANSIT

The fact that Fremont and Union City have rail transit service today is because of the 1960-61 projected growth figures for the area. The engineers and consultants to the BART Board of Directors insisted that the Southern Alameda line be terminated in Hayward. The Board overruled the "experts" after being presented with evidence compiled by the cities, chambers of

commerce and school districts. They were able to show growth was already reaching an explosion status and master planning of the area was based on the knowledge that this growth would continue.

The BART projections for revenue and tax rates in the future were determined on the basis of projected growth of the area. Documented evidence of construction in the Bay Area shows that BART has and will stimulate growth in the three counties. The experiences of Toronto and Montreal are examples of how planning close to transit stations can produce startling increases in assessed valuations.

BART can be used as a sound development tool for Southern Alameda County. No one can argue that the use of the automobile is losing favor on many counts. Many people do not drive, and want another source of transportation. This one link of transportation should be easily available for all who want to use it.

The BART staff has developed the following data on what would happen with a "no-growth" policy:

Two effects of a "no-growth" development policy for the Fremont area are briefly described in this report. The first concerns the impact on annual BART ridership and hence revenue that might be produced by stopping growth. The second relates to the fiscal impact in terms of BART and local taxes that could be expected given a moratorium on development.

— Assuming that no increase in population due to new residential construction in Fremont and Newark occurs after, say, 1975, BART ridership generated at the Fremont station would be reduced by 20%, or 2,395 trips per day from the volume expected in 1980. This reduction in ridership is equivalent to a decrease in annual BART operating revenue of $660,000.

— A "no-growth" policy could produce a variety of fiscal impacts, depending on alternative assumptions. These assumptions briefly are as follows:

1. Growth that would have occurred in Fremont goes elsewhere in the 3 BART counties;
2. Growth that would have occurred in Fremont occurs somewhere outside the BART District.

Given assumption 1, BART's tax base would not be affected and tax rates would remain as forecast. However, the local tax base would be reduced by approximately 13.3% from that which could be expected by 1980, thus necessitating a 15.4% increase in city and school district tax rates to generate a given local revenue target.

Given assumption 2, the local effects just described would occur together with an increase in BART tax rates of approximately 0.8%.

Translating the above to tax rates, the 1971-72 City of Fremont rate of $1.311 would become $1.513, and the BART 1972-73 rate of $0.537 (before equalization) would become $0.541. If a District-wide no growth policy had been adopted in 1970, the effect would be to raise the BART 1980 tax rate 7.1¢/$100 assessed valuation. This assumes that growth in assessed value would still take place owing to inflation, etc. If in fact the tax base were not to change between 1970 and 1980 owing to economic stagnation effects of no growth, the BART tax rate would be raised 16.2¢/$100 assessed valuation.

XIII. CITY TAXES

In considering the effect of growth versus no-growth on city taxes, we must first decide what kind of growth we are talking about. Inasmuch as there seems general consensus that industrial and commercial growth consume, directly, less in the way of city services than they produce in revenues, it would seem that we are here concerned with residential growth:

Have revenues attributable to residential property and to residents equalled the cost of city services "consumed" by residents of the city?

Do new developments generate enough revenue to pay for the added city services which their inhabitants use?

Four segments of the community produce revenues and consume services — residential, commercial, industrial, and undeveloped land. The effect of the last is so small that it is felt it can be safely disregarded for the purposes of this report. Some revenues and costs can be readily identified with one or another of these

segments; not all, though, are obvious. For our purposes, the problem is how to assign a fair share to residential and to "other" segments.

While the fraction of city services consumed by industry and commerce is admittedly small, these segments also benefit indirectly through the provision of city services to their employees and customers. City services are important — in many respects, essential — far beyond the proportions of services which industry and commerce consume directly. For example: streets to transport customers and workers; police and fire protection not only for plant and equipment, but also for the people in them; engineering, planning, and inspections to insure a well-built and balanced community; and administration and support services to manage and support city activities. It seems appropriate, therefore, to assign some greater allocations to these segments than for the services they directly consume.

In the absence of reliable and verifiable data based on in-depth study of these relationships, it is suggested that the stake which industry and commerce have in the city (i.e., their proportion of the assessed valuation) might be a reasonable basis. Certainly there are pitfalls in the use of such a criterion; when time and resources are available, further study and validation would be in order; but, as an approximation to test the thesis under study, it would appear to be helpful. Some city functions, of course, (such as recreation and cultural activities) would seem to be wholly attributable to the residential segment. Most others, however, would seem to warrant application of this indirect-benefit principle.

Using the above thinking, the following tentative allocations between "residential" and "other" segments were arrived at:

REVENUES

- Property taxes—according to proportion of assessed valuation, between residential and other.
- Motor vehicle in-lieu tax, sales tax, and cigarette tax—all to residential.
- Construction tax, documents tax, licenses and permits (except business and franchise), fines and forfeitures — interest and insurance refunds, and charges for services — all residential.
- Gas tax — according to proportion of assessed valuation.
- Business tax and franchise tax — to others.
- Revenues from other agencies, "other revenues," Federal and State grants, PUC and railroad contributions — according to proportion of assessed valuations.
- Recreation trust funds — all residential.

EXPENDITURES

- Community Safety — according to proportion of assessed valuation, between residential and others.
- Home and community environment (except Park costs) — according to proportion of assessed valuations, but allocating only 20% of building inspection costs (the ratio of industrial-comercial to residential construction since Fremont's incorporation).
- Parks, recreation, and cultural — all residential.
- Transportation — according to proportion of assessed valuation.
- Administration and Support — according to assessed valuation.

Applying the above allocations to the two most recent fiscal years gives the results illustrated in Table XIII-1.

TABLE XIII-1
CITY OF FREMONT
Revenue and Expenditure
Allocations (in thousands)

	FY 71-72		FY 72-73	
REVENUES	Residential	Total	Residential	Total
Property tax	$ 1,920	$ 3,490	$ 2,214	$ 4,026
Sales tax	1,911	1,911	2,000	2,000
Motor Vehicle In Lieu	841	841	900	900
Gas tax	767	1,395	761	1,384
Cigarette tax	355	355	370	370
Construction tax	-	-	626	626
Documentary tax	71	71	75	75
Licenses and permits	345	431	344	430
Fines and forfeitures	11	20	14	26
Revenue from other agencies	102	185	162	294
Charges for services	298	319	401	427
Other revenue	27	49	41	75
Recreation Trust Fund	112	112	118	118
Federal grants	217	394	342	621
EEA Grant	69	125	72	130
CCCJ Grant	114	208	105	190
P.U.C. Grant	129	234	279	507
Other taxes	-	518	-	654
Traffic safety	160	160	160	160
TOPICS	30	54	43	79
Park Dedication In Lieu	-	-	61	61
Other	-	208	-	236
	7,479	11,080	9,088	13,389

TABLE XIII-1 (continued)

EXPENDITURES	FY 71-72 Residential	FY 71-72 Total	FY 72-73 Residential	FY 72-73 Total
Community safety	2,683	4,878	3,285	5,972
Home and community environment				
Park Maintenance	466	466	565	565
Park acquisition and development	53	53	550	550
Building inspection	154	192	162	202
Community development	170	309	156	283
Other	160	291	254	461
Recreation and cultural	612	612	811	811
Transportation	1,431	2,602	1,810	3,290
General and administration	653	1,037	740	1,175
	6,382	10,440	8,333	13,309
Excess Revenues over expenditures	$ 1,097	$ 640	$ 755	$ 80

For 1971-72 the residential segment generated about $1,097,000 more in revenues than it consumed in services; for 1972-73, the "surplus" was about $755,000 if last June's projections work out (in actuality, revenues will be substantially less, because new construction is less than was forecast). In both years, it should be noted that the balances are large, in part, because of planned ending balances of over $800,000.

Nevertheless, if the premises of this analysis are accepted, it would seem clear that the existing residential segment pays its way. It is true that one could also argue from these data that without the contributions of commerce and industry, either taxes would have to be raised or the level of city services be reduced. The argument has weight; however, it neglects the importance of people to the activities of business and industry. Any alternative system of allocation must give adequate weight to this factor.

But, a common argument runs, "It is more people which cause city costs to go up." And certainly city spending has spiralled during the past ten years during a time when its population has boomed.

TABLE XIII-2
CITY OF FREMONT
10-Year Population And Spending Trends

F.Y.*	Population	% Increase	Budgeted	% Increase
1963 #	66,500	--	$ 3,296,894	--
1964	75,700	13	4,277,505	40
1965	82,200	23	4,916,303	49
1966	88,400	33	5,164,141	52
1967	91,600	38	6,078,539	84
1968	94,500	42	6,873,685	110
1969	98,300	48	8,491,753	158
1970	100,379	51	8,881,680	169
1971	106,100	60	10,758,658	221
1972	113,000	70	13,309,259	300

* Fiscal year beginning 30 June.
\# Base year.
Source: City of Fremont

But why have costs gone up much more rapidly then population? Population growth has most assuredly added to these costs; but, also, so have the effects of inflation and expansion of city services. Let us see whether the sum of these three effects is sufficient to account for the jump in city spending from $3.3 million in 1963 to $13.3 million in 1972-73.

Population rose from 66,500 in 1963 to 113,000 (estimated) on 30 June, 1972, an increase of 70%.

Bureau of Labor Statistics data show the Consumer Price Index at 91.7 for 1963. In March of 1973 it stood at 129.8, a jump of 43%. Even though wage adjustments, engineering and construction costs, and other prices associated with government spending seem to have accelerated even more rapidly, an inflation factor of 43% seems reasonable.

No generally agreed on criteria for measuring the expansion of city services is known. However, the number of city employees and the additions to city facilities would appear to afford some approximation. Between 1963 and 1973 city employees increased from 219 to 435, a jump of nearly 100%. Miles of city streets rose from 194 to 272, up 45%; parks increased nearly tenfold, from around 70 acres to nearly 670; a police building, city government building, two fire stations, and corporation yard were added — as well as numerous smaller facilities. While a substantial amount of these increases can be attributed to population growth, there can be little doubt that the city provides a significantly higher level of service than it did in 1963. A factor of from 50% to 100% would not seem unreasonable. Let us use a conservative factor of 65%.

If the city is providing 65% more services to 70% more people than it did in 1963 and inflation has raised costs by 43%, how much should we expect the city to be spending in 1972-73? Here are the computations -

$3.3 million x 65%	$5.445 x 70%	$ 9.257 x 43%
$2.145	3.812	$ 3.880
$5.445	$9.257	$13.137 million

With 1972-73 spending budgeted at $13.309 million, the city is operating very close to what these projections would indicate. The comparison seems to support the suggestion that expansion of city services and inflation generally account for increased costs above a proportionate amount for population growth.

It seems evident that population increase is but one of three factors which have caused spiralling city costs. It is clear that increases in population have accounted for only a simple proportion of the accelerating expenditures. Expansion of city services and inflation account for the rest. These are the conclusions one can reach based on a study of ten years experience. Nothing at hand indicates that future construction should, by itself, impose any additional burdens. It is possible, of course, that development in certain areas could cause extra municipal capital costs; unless offset by contributions from the developer or developers concerned, added burdens to the general taxpayer could result. The solution, though, in such cases is not a question of growth or no-growth, but a question of continued good municipal foresight and management.

Marginal costs (i.e., how much each new dwelling unit costs the city for city services) and incremental costs (i.e., at what point the city must employ another policeman or fireman, or build a new fire station, etc.) are beyond the capabilities of this study. It is believed, however, that the city's construction tax in conjunction with other revenue sources are in the long run adequate to offset all reasonably assignable costs of this nature. It would seem, in any event, that this is what past experience shows us. Likewise, little attention has been paid in this study to revenue-sharing; if it does become permanent, we suggest its effects would be favorable to the thrust of these ideas.

The issues of how many people Fremont should have and of what kind of city it should be are matters of value judgment. In general, the judgments which went into formulating the city's general plan seem to have met the test of fiscal soundness. Continued residential growth within the constraints of that plan should provide no grounds for financial alarm.

XIV. COUNTY TAXES

Introduction

In the current debate centering around the continued growth of the Bay Area's suburban population, one proposition has been advanced by "no-growth" advocates with scant intellectually defensible, factual support and denounced by development advocates with perhaps greater emotional fervor, but still with equally scant factual support. The proposition, in oversimplified form, is that residential growth does not pay its own way; that is, that it costs the cities or counties more in services than it produces in the cities or counties more in services than it produces in revenues. A major cause of the general lack of factual information and analysis is the enormous complexity, hence cost, of a meaningful study of the cost and revenue factors at large in an operating community and the effect on these factors of the addition of a discrete new unit in one sector or another. In general, neither the developer nor the governmental body can really afford the luxury of a competent study of these factors with reference to a given project, and both are probably fearful of the outcome of such a study if it were made. The result: no study.

The effect of the unavailability of such hard data has been to encourage one faction in the debate to simply adopt the proposition as a premise: Growth does not pay its way. At very least, the no-growth advocate comes away from the encounter with some extra amenities or civic goodies extracted from the developer, or more accurately, from the ultimate home buyer, but perhaps affording little relief to the governmental unit left with the task of providing service to its new constituents.

It is enlightening, however, to consider that the obverse formulation of the proposition has to date received equally little study and generated equally scant hard data. Does "no-growth" pay its way?

As with its counterpart, a major aspect of this question focuses on property tax revenues and, in this instance, on county taxes. What is the effect of a "no-growth" policy on county taxes and on the individual taxpayers?

Basis of Property Taxation

The fundamental basis for property tax assessment in California is the market value of the property assessed. The California Constitution provides that "all property subject to taxation shall be assessed for taxation at its full cash value."[1] And a major achievement of the 1966 property tax reform was to equalize the tax burdens from county to county by requiring every assessor to "assess all property subject to general property taxation at 25 percent of its full cash value."[2] Section 110 of the *Revenue and Taxation Code* provides:

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[1] *California Constitution*, Article XI, S 12.

[2] *California Revenue and Taxation Code*, S 401.

"Full cash value" or, "market value" means the amount of cash or its equivalent which property would bring if exposed for sale in the open market under conditions in which neither buyer nor seller could take advantage of the exigencies of the other and both with knowledge of all of the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions upon those uses and purposes.

To the assessed valuation of the property subject to taxation in the county, as reflected on the assessment roll, the county tax rate (and perhaps rates of other taxing entities, such as municipalities, service's districts, etc.) is applied to produce the total tax revenues for the county.[3]

From these principles the interrelationship of market value and assessed valuation, tax rate and total tax revenue should be clear. Production of a certain required revenue at a specified tax rate can only occur if the necessary assessed valuation exists. If the total assessed valuation is insufficient, the tax rate will have to be increased in order to produce the required revenue.

Open-space Land Conservation and the Moratorium

Recent public awareness of the environmental and sociological dynamics of our state's continued urban and suburban growth has produced two distinct but related phenomena: (1) open-space land conservation, and (2) no-growth, slow-growth and related popular movements or sentiments and their concomitant means of implementation, the moratorium or enforced slow-down.

The former phenomenon is fundamentally a tax-incentive invitation to owners of open-space lands to leave them as such, while the latter is an enforced denial of permission by the local governmental authority to do otherwise.

A. Open-Space Land Conservation

Open-space land conservation policy is embodied in three basic legal enactments:

1. Land Conservation Act of 1965 (Williamson Act), establishing the agricultural preserve;[4]

2. Article XXVIII of the California Constitution, the "breathing space" amendment, declaring a public policy in favor of preservation of open-space lands and freeing the assessor from "full cash value" standards in assessment of such lands;[5] and

3. The legislative enactment governing valuation of open-space land subject to an enforceable restriction.[6]

The details and sequence of enactment and amendment of these provisions are expertly set forth in Ehrman and Flavin's treatise, Taxing California Property,[7] and it is sufficient here to note the essential structure of the law, viz., that under Section 423 of the Revenue and Taxation Code, land subject to an enforceable restriction shall be valued without consideration of comparative sales data (the *ultimo ratio* of all other assessment practice in keeping with the "full cash value" requirement of Article XII of the California Constitution), but rather shall be valued by the capitalization of income method.[8] Lands "subject to an enforceable restriction" are:

> "(1) a Land Conservation Act contract, (2) a Land Conservation Act agreement as restrictive as or more restrictive than a Land Conservation Act contract (agreements entered into under the prior law on or before November 10, 1969), (3) a "scenic restriction" created under Government Code Section 6950 et seq.; and (4) an open-space easement as defined in Government Code Section 51051."[9]

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[3]See Ehrman, Kenneth A., and Flavin, Sean, *Taxing California Property*, Chapter 9, S 240 et seq. (Bancroft-Whitney Company, San Francisco, 1967, with Supplement.)

[4]Government Code, Chapter 7 (commencing with Section 51,200) of Part 1 of Division 1 of Title 5.

[5]Adopted by voter approval as Proposition 3 in November, 1966.

[6]Revenue and Taxation Code, Article 1.5 (commencing with Section 421) of Chapter 3 of Part 1 of Division 1, added in 1967.

[7]Chapter 16 (commencing with Section 411) page 379 et seq., "Valuation of Agricultural and Other Open Space Property," and 1972 Supplement. See Footnote 3, above.

[8]For detailed assessment policies and practices, see *Regulations of State Board of Equalization*, Title 18 *California Administration Code*, Chapter 1, Subchapter 1.

[9]Taxing California Property, S 422a, 1972 Supplement, Page 107 (citations omitted).

and the categories of open-space land now coming under the *Land Conservation Act* proper (the first of the four foregoing types of lands "subject to an enforceable restriction") are:

(1) Scenic Highway corridors;
(2) Wild life habitat areas;
(3) Salt ponds;
(4) Managed wet land areas;
(5) Submerged areas; and
(6) Recreational use areas.[10]

The breadth of scope of lands potentailly subject only to income method assessment is obviously considerable, and the potential impact on the county assessment roll is sobering. A means of protection of and reimbursement to the counties (and cities) was established in 1971 by enactment of Scetion 16,107 of the *Government Code*, calling for payment to the city or country, or both, for each acre of open-space land (assessed under Section 423 or 423.5 of the *Revenue and Taxation Code*) the following amounts:

> "(a) Three dollars ($3) for prime agricultural land as defined in Section 51201 of this code which is:
>
> (1) Within an incorporated city,
>
> (2) Within three miles of the boundaries of an incorporated city with 1,500 or more registered voters, or
>
> (3) Within one mile of the boundaries of an incorporated city with less than 1,500 registered voters.
>
> "(b) One dollar and fifty cents ($1.50) for all other prime agricultural land,
>
> "(c) Fifty cents ($0.50) for all land, other than prime agricultural land, which is devoted to open-space uses of statewide significance defined in Section 16108."

At $3.00 per acre, such reimbursement would compensate Alameda County, with a 1971-72 tax rate of $3.19/$100 a.v., for $376.00 worth of market value for such acre, and thereafter the County's annual loss upon conversion of such acre to open-space land would be measured by the difference between the income method assessment (based on the land's productivity) and its potential market value assessment.

[10]California Government Code, S 51,201.

B. Moratorium

In contrast to the carefully devised and legislatively implemented open-space land conservation program, the development moratorium or enforced slow-down is an *ad hoc* response to what is or at least is characterized to be a crisis or emergency condition, usually related to an actual or alleged inadequacy in one or more basic services necessary to permit residential development, *e.g.*, sewer, water, streets, etc. It is usually applied by resolution of a local agency or governmental body (as contrasted with the State Legislature), may be of indeterminate (though usually short) duration and usually makes no provision for reimbursement or indemnification persons subjected to economic dislocation by its imposition. It is customarily applied to residential development, although in cases where precipitated by the lack of a basic service such as sewer or water, it may stop all development.

The best and most immediate examples of the operation and effect of a development moratorium in the Alameda County area are the ones which began in the Pleasanton area in late 1971 by reason of the prohibition of new sewer connections issued against the Valley Community Services District by the State Regional Water Quality Control Board, and in the Livermore area in late 1971 by restriction of additional building permits because of lack of water service capacity. Consultation with the Alameda County Assessor's Office[11] produced the following information concerning these conditions:

> 1. The County Assessor's Office is acutely aware of these conditions and has undertaken exhaustive field investigation to determine the effects on property values (i.e., comparable sales, which in all cases other than open-space lands, discussed above, are the chief factors in the assessment process.[12]

[11]Personal interview with Mr. C.H. Martin, Supervising Real Estate Appraiser, Office of Don J. Hutchinson, Assessor, County of Alameda, March 1, 1973.

[12]This research has been summarized in a memorandum entitled "County of Alameda, Office of the Assessor, Pleasanton-Livermore Building Moratorium, 1972-73," which is being used in connection with assessment appeals proceedings.

2. Imposition of a moratorium does not, contrary to common notion, result in a decline in assessed valuation of all residential property in the affected area. Residential property exists as either developed (existing lots with or without houses) or predeveloped (not yet finally mapped).

a. Developed Residential Properties.

Curtailment of the flow of new housing has the immediate effect of increasing the sales price hence assessed valuation of existing housing, given a steady or increasing demand. This would appear logical.

b. Undeveloped Residential Property.

The effect of a moratorium on the assessed valuation of undeveloped residential land, however, though less obvious, is perhaps equally logical.

In the assessor's view, a moratorium results not from a decreased or weak demand for such land, but on the contrary from a firm or increased demand which overburdens existing, available resources.

It is only the postponement of the realization of the full cash value stemming from such demand that permits the assessor to reduce the assessed valuation during the period of the moratorium. The memorandum mentioned above (Footnote 12) details the discounting method by which the assessor makes the valuation. In capsule form, it is to determine the present value of the deferred full cash value (net of carrying costs) discounted by the probable duration of the restriction. Elements of the assessor's discount formula for this purpose appear to be simply adaptations of capitalization techniques customarily used in other methods of valuation.[13]

The point of current theoretical interest in this procedure concerns the circumstances under which the assessor will give recognition to a moratorium, actual or effective. The assessor's office indicates a clear case to exist where a public body by resolution declares a moratorium. What about *de facto*, but not officially declared moratoria or even slow-downs in processing of development applications? Open-space land conservation relief under Section 423 of the *Revenue and Taxation Code* is given only to land "subject to an enforceable restriction," *e.g.*, contracted agricultural preserve land.[14] Rule 54 of the Board's *Regulations* allows application of Section 402.1 of the *Revenue and Taxation Code*, to originally-valid agricultural preserve land that no longer qualifies under the 1969 revision of the Act,[15] but does not take Section 402.1 further into the area of non-open-space land. Section 402.1 requires the assessor to consider the effect of any enforceable restrictions (including zoning restrictions limiting the use of land) in making his assessment.

3. Finally, it is important to observe that the moratorium, being by nature an *ad hoc* remedy, has the potential to operate erratically and inequitably within the confines of a taxing jurisdiction. If the total tax revenue is to remain stable (as required for any kind of municipal budgetary planning), what is lost in assessed valuation on predeveloped residential must be made up elsewhere. The assessor's office identifies the important trade-off factor here as the ratio within the taxing community of predeveloped residential land to developed residential land. In a mature city like Oakland, for example, almost any loss to assessed valuation of the little remaining predeveloped land could be spread vir-

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[13]For example, see Rules 8, 51 and 54 of the State Board of Equalizations' *Regulations*. See Footnote 8, above. See also Ehrman and Flavin, *Taxing California Property*, Chapter 11, "General Valuation Principles and Mass Appraisal Techniques," and specifically Sections 300 *et seq.*, "The Income or Capitalization Method."

[14]See Footnote 6 and accompanying text, above.

[15]Section 402.1, enacted in 1966, pre-dated in the 1966 "breathing space" constitutional amendment and implementing legislation (See Note 5, above), and was in essence precluded from the agricultural preserve field by the latter enactments. The Section was not, however, repealed and could conceivably have an important part to play in affording at least interim protection to urban lands not suitable for agricultural preserves. The Section could also protect the strapped property owner from *de facto* open-space restrictions imposed by inverse action of local governing bodies.

tually without detection to the overwhelming preponderance of developed residential properties.[16] But in a community where the preponderance of residential property exists as yet undeveloped, even the slightest decrease in the undeveloped assessment has a major impact on the tax burden of existing developed properties. For example, while the average assessed valuation of developed residential property in all of Alameda County rose 4-5% between the 1971-72 and 1972-73 fiscal years, the average assessed valuation of such existing residential property in Pleasanton rose 12% during the same period. Although no cumulative statistics are available through the assessor's office, records are kept to reflect the precise impact of the moratorium on each property. The pattern reflected in these records in unmistakable.

Conclusion

While the foregoing serves no better as a defensible economic analysis of growth dynamics than the bulk of what is commonly offered and considered in the daily planning process, it does represent an attempt to gain a better understanding of the forces which are in constant play in shaping the place in which we live. We would hope a better understanding of these forces will shape the decisions we make in planning our living environment.

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[16]Other factors such as broader housing base would also tend to moderate the natural upsurge of existing residential values resulting from construction of the flow of new housing.

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